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County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 8, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

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MOTION TO DIRECT THE CHIEF EXECUTIVE OFFICE AND THE COUNTY'S SACRAMENTO ADVOCATES TO SECURE LEGISLATION TO ALLOW THE DEPARTMENT OF BEACHES AND HARBORS TO OFFER A 40-YEAR AGREEMENT FOR THE GLADSTONE'S SITE AT WILL ROGERS STATE BEACH (ITEM NO. 44-C, SUPPLEMENTAL AGENDA OF AUGUST 9, 2016)

Item No. 44-C on the August 9, 2016 Supplemental Agenda is a motion by Supervisor Kuehl directing the Chief Executive Office and our Sacramento advocates to work quickly during the current legislative cycle to secure an author and introduce legislation that will allow the Department of Beaches and Harbors to issue a competitive solicitation document in early 2017 for a new operator for a Will Rogers State Beach restaurant, at the existing Gladstone's site, that offers an agreement term of 40 years and requires a redevelopment plan that will completely reposition the property and take advantage of its unique and special coastline location.

Support for this motion is consistent with existing Board-approved policy to support legislation to extend concession lease terms on State-owned facilities, including those which are under local control, when the concessionaire intends to make an investment in the property or increase revenues to the State or local operator.

Background

The Department of Beaches and Harbors has been operating Will Rogers State Beach since 1975 when the County took over management from the City of Los Angeles. The Gladstone's restaurant concession, located at 17300 Pacific Coast Highway in Pacific

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Palisades and in operation since 1972, provides the County with approximately \$1.7 million in rent annually, which was reduced this year to \$900,000 because the restaurant is experiencing financial difficulties. The concession contract will expire at the end of 2017, and the facility will require a multimillion dollar refurbishment to become profitable again.

The Department of Beaches and Harbors is currently in the process of issuing a Request for Proposal for the concession and reports that potential concessionaires will likely be required to demolish the existing building and construct an entirely new facility on the property.

Existing law authorizes the State Department of Parks and Recreation to enter into contracts for the construction, maintenance, and operation of concessions within units of the state park system, and prohibits, with certain exceptions, the term of a concession contract from exceeding 20 years without specific authorization by statute.

The Department believes that the short-term lease currently allowed by State law for concession agreements may deter potential bidders. Given the prime location of the facility and due to the age and deterioration of the existing building, not undertaking a full refurbishment will result in a significant decline in revenue for the County, which uses the revenue to defray County's cost for beach maintenance operations. The Department has requested that the State Department of Parks and Recreation deed the beach to the County. The request is currently pending but will not be considered in time to solicit for a new restaurant concessionaire in 2017.

Legislative Proposal

The legislation sought by the Department of Beaches and Harbors seeks to increase the allowable length of time for concession contracts at Will Rogers State Beach to 50 years if the initial investment in the concession is higher than \$1.5 million.

In order to solicit a new concessionaire in 2017, current law must be amended before the end of the current State legislative session, which ends on August 31, 2016.

In 2013, the County secured language in a budget trailer bill (SB 96, Chapter 356, Statutes of 2013) that would allow the concession agreement at Will Rogers State Beach to exceed 20 years in order to allow the concessionaire to amortize improvements over a longer period of time. The bill was enacted, but negotiations to extend the current concession contract were unsuccessful and will not be extended.

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Conclusion

Support for this motion is consistent with existing Board-approved policy to support legislation to extend concession lease terms on State-owned facilities, including those which are under local control, when the concessionaire intends to make an investment in the property or increase revenues to the State or local operator.

We will continue to keep you advised.

SAH:JJ:MR
OR:AO:ma

c: Executive Office, Board of Supervisors
 County Counsel